
E-G2P Payments – a path to financial inclusion



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Switch to electronic payments brings significant benefits to the government and beneficiaries



By improving efficiency of program delivery and reducing cost

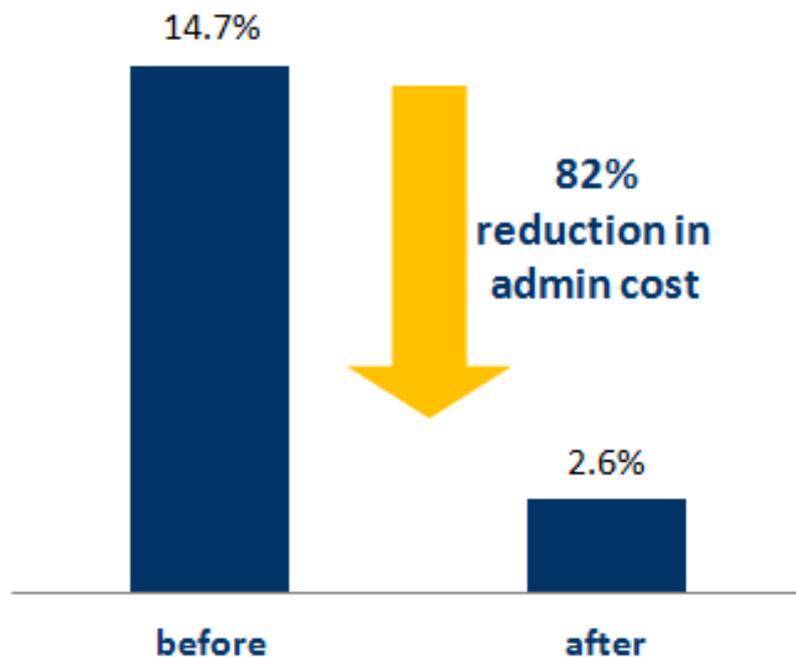
By improving transparency and reducing corruption



By reducing the time and effort required by the beneficiary to receive the funds

Benefit for the government - reducing program administration costs

Share of administration cost in the total program budget (%)

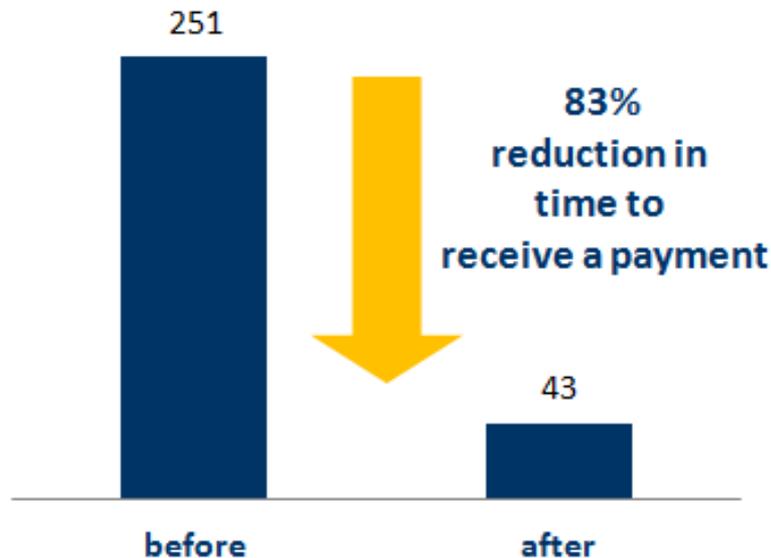


Switch to electronic payment cards from cash payments resulted in an 82% reduction in program administration costs between 2001 and 2006 in Bolsa Familia program (CCT) in Brazil

Source: Lindert, Kathy, Anja Linder, Jason Hobbs, and Bénédicte de la Brière. 2007. "The Nuts and Bolts of Brazil's Bolsa Família Program: Implementing Conditional Cash Transfers in a Decentralized Context."

Benefit for the recipient - reducing time it takes to collect the payment

Time to collect payment (minutes)

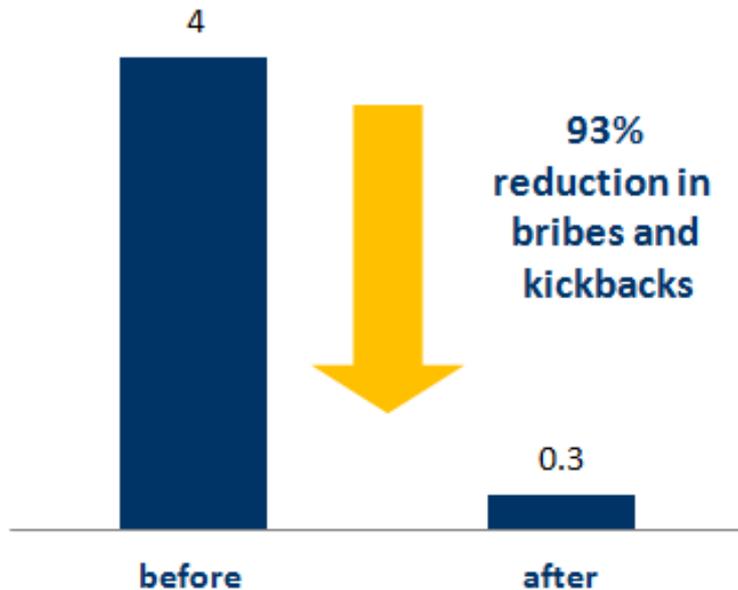


In Argentina, switch from cash to pre-paid cards reduced the time spend by the recipients to collect payments from more than 4 hours to about 40 minutes, and the number of people who did not need to take public transport but could walk to withdraw the payments increased by 50%

Source: Duryea, Suzanne, and Ernesto Schargrotsky. 2007. "Financial Services for the Poor: Welfare, Savings and Consumption." Inter-American Development Bank

Benefit for both government and recipient – improving transparency

Share paying kickbacks to collect a payment (%)



In Argentina, switch from cash to pre-paid cards virtually eliminated kickback and bribes that recipients needed to pay to collect their payments

Source: Duryea, Suzanne, and Ernesto Schargrotsky. 2007. "Financial Services for the Poor: Welfare, Savings and Consumption." Inter-American Development Bank

Electronic payments help deliver government assistance in conflict and disaster affected areas

In Pakistan, National Database & Registration Authority (NADRA) worked with United Bank Limited (UBL) and VISA to put in place a system to deliver financial assistance to internally displaced people in the conflict-affected Northwest Frontier Province. The system is reliable, transparent and secure. And it not only allows people to receive government assistance, but also to keep the account – resulting in creation of 273,000 new bank accounts.



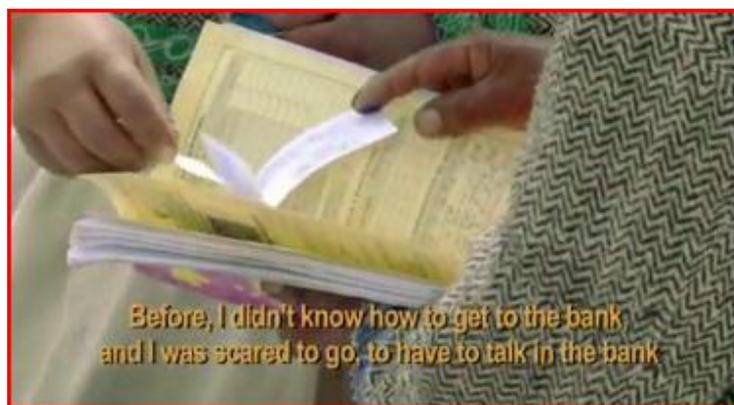
Source: http://currencyofprogress.visa.com/wp-content/uploads/2011/05/EP_Relief-Aid-Pakistan.pdf

.... And government payments can serve as a gateway to financial inclusion

Transferring funds into savings-linked accounts, and providing necessary financial literacy training adds a new dimension of empowerment for the recipients, helps them to save and manage their lives better



“I have lost my fear of the bank and have learned to work with it. Thanks to my savings, I have been able to buy school supplies for my children and have bought some animals so I can raise livestock.”



Source: Proyecto Capital. www.proyectocapital.org

Switch to electronic G2P is on the way but more can be done

Starting with electronic payments of salaries to all government employees, many countries pushed the frontier of “bankarization”

Switching to electronic transfers into bank accounts for various government programs promises significant benefits for both government and recipients

For the eG2P to be financially inclusive, financial education is fundamental and effective consumer protection regime is key

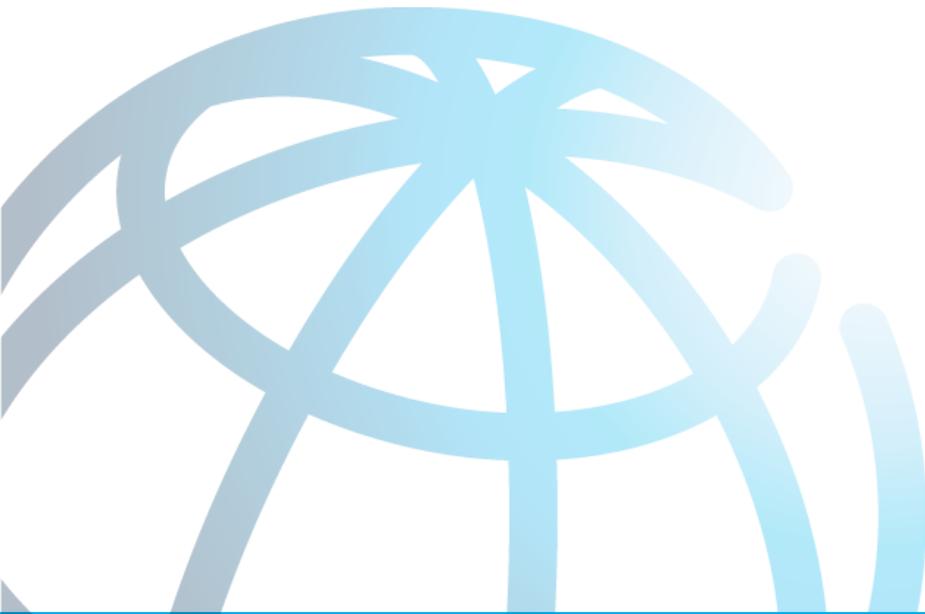
Some of the major challenges in implementing the switch to electronic payments are related to:

- **availability of payments infrastructure**
- **availability of reliable identification documents**
- **issues related to the government procurement rules and concerns about possible effects on the competition in the banking market**

Effective public-private partnership for delivering payments and education is an important element of success



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